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SUBJECT: THAILAND ABANDONS IDEA OF RICE CARTEL

[¶1.](#) Summary: Thailand has abandoned its plans for a rice cartel among regional rice exporting countries. Thailand's rice-importing neighbors in Asia had criticized the plan, as had Thai rice exporters who saw it as unworkable. As an alternative, Thailand has proposed a Council on Rice Trade Cooperation to promote technology transfer in rice production and increase productivity. The Council could benefit global rice trade; long-term cooperation between export competitors will likely be elusive. End Summary.

[¶2.](#) On April 30, Thailand's Prime Minister Samak Sundaravej publicly proposed establishment of a cartel between rice-exporting countries Thailand, Vietnam, Burma, Laos and Cambodia. Although the latter three are minor players in the rice trade, Thailand and Vietnam together account for half of global rice exports. Supporters of the cartel, dubbed the Organization of Rice Exporting Countries (OREC), said the arrangement would ensure farmers continued to benefit from higher prices and would even out fluctuations in global rice prices.

[¶3.](#) On May 6, Foreign Minister Noppadon Patama said Thailand would not pursue the cartel idea further, saying it would worsen food security. The plan had met with criticism, particularly from the Philippines, which has struggled to import sufficient amounts of rice in the face of skyrocketing prices. Thai rice exporters also called the plan impractical. Although the five countries in the proposed cartel control a majority of the global rice trade, they account for only 15 percent of global production. Continued high prices would likely spark higher rice production in other major rice producers, undercutting the cartel. Rice exporters said that Thailand would also have difficulty restricting rice production among the millions of private rice farmers, and in any case rice cannot be stored for extended periods.

[¶4.](#) In place of the cartel, Thailand has proposed to reestablish a Council on Rice Trade Cooperation (CRTC) to strengthen cooperation among rice exporters and producers, promote technology transfer and raise rice yields. The CRTC was initiated in 2002, but failed to make progress. Vietnam and Thailand have met biannually and actively cooperate in information and technology exchanges. However, as the top exporting nations, the two countries remain strong competitors and private traders say the quality of information exchanged has been limited.
JOHN